



Douglas County Internal Audit

September 8, 2016

Douglas County Board of Commissioners
1819 Farnam Street, Suite LC2
Omaha, NE 68183

Attention: Mary Ann Borgeson, Mike Boyle, Jim Cavanaugh, Clare Duda, Marc Kraft,
PJ Morgan, and Chris Rodgers

Doug Johnson, District Court Administrator
Hall of Justice
1701 Farnam Street, 5th Floor
Omaha, NE 68183

Dear Mr. Johnson:

I have completed a performance audit of the District Court's policies and procedures related to the payments made for court appointed attorney payments and court costs. The purpose of the audit was to assess the adequacy and effectiveness of the controls used to verify the legitimacy of expenses and record them in the County's financial system. The audit found that the controls in place were adequately designed and worked effectively. However, opportunities to improve the controls were identified. Specific issues and recommendations for improvement can be found in the Findings section of this report.

Background

Nebraska State Statute Section 29-3905 requires the District Court to provide for the reasonable expenses of defending an indigent person in its jurisdiction. The court has the right to fix these fees and expenses and the County is to pay the amounts determined by the court. The current rate is \$80 an hour for time spent both in and out-of-court. Douglas County paid approximately \$779,000 for District Court attorney fees (\$606,000) and other related court costs (\$173,000) for fiscal year 2016.

Objective

The purpose of the audit was to assess the adequacy and effectiveness of the controls in place over the payment of attorney and other fees paid by Douglas County for the District Court. The objectives of the audit are to determine if the controls are designed adequately and work effectively to provide reasonable assurance that:

- The payments are made for legitimate expenditures.
- The amounts are reasonable in light of the work performed.
- The expenditures are properly approved by the proper officials.
- The payments were recorded completely and accurately in the financial records.

Scope

The scope of the audit included the current controls and those that were in place during the period for which the sample was selected - fiscal year 2016.

Methodology

Internal Audit (IA) interviewed the District Court Administrator and District Court Administrative Assistant to determine what policies and procedures were in place. IA then determined if the controls described were designed adequately to achieve the objective identified above. A sample of 45 randomly selected payments from the scope period was selected for testing to see if the controls were effective. IA gained access to the state's JUSTICE system to determine if the payments were made for a case listed in the JUSTICE system, the billings looked reasonable for the type of case, the expenditures were properly approved, the amounts were billed accurately, and the amounts were accurately recorded in the financial system. IA also reviewed the JUSTICE for in-court costs to see if there was an order or notes indicating that there was in-court activity. Specific findings for the audit are included in the Findings section below:

Findings

Criteria: Amounts paid to vendors should be computed accurately and be based upon the actual goods and services delivered.

Condition: IA assess the procedures in place to pay District Court attorney fees and court costs and examined 45 District Court payments (20 attorney fee payments and 25 court cost payments). Issues noted appear below:

- Assessment of the payment procedures revealed that there is no process in place to ensure that the legal notice invoices are billed according to the appropriate rates used by the Daily Record.
- Attorneys frequently submit invoices that have billing errors. While judges review the invoices for reasonableness, the District Court Administrative Assistant performs an extension of the invoices to determine if the invoice totals are accurate. The invoice extension did not always identify all errors. IA found that 4 of the 20 attorney fee payments had minor billing errors that were not identified.

Effect: Without verifying the accuracy of the Daily Record invoices, the County cannot be sure that amounts billed to the District Court are accurate. The County paid \$5,742 to the Daily Record for the publication of District Court civil and criminal legal notices in fiscal year 2016.

The attorney fee billing errors totaled only \$63.50. However, the number of billings that had errors was significant – 4 of 20 invoices. The County cannot be sure that the invoice extension process will be able to identify more significant errors.

Cause: Current policy does not include the extension of legal notice invoices for accuracy before they are paid. The attorney fee invoice extensions were not always computed with sufficient accuracy.

Recommendation: Use the publication rate schedule as provided to the District Court Administrative Assistant to verify the accuracy of the Daily Record invoices. Date and initial all invoices as evidence that the extensions were completed. Emphasize the importance of using greater care in extending attorney fee invoices. Consider adapting the on-line attorney payment system used in Juvenile Court. Use of the system would eliminate billing computational errors and provide additional reporting and monitoring tools for court appointed attorney fees and court costs.

Management Response: On behalf of the District Court, we accept your findings regarding the recent audit examining the attorney billing process for contract attorneys appointed in District Court. Based on your findings, we would welcome any automated system that could assist in the process. Please feel free to contact me if you have any questions or require additional information.

Audit Standards

Internal Audit conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives. This report was reviewed with the Douglas County District Court Administrator.

Internal Audit appreciates the excellent cooperation provided by the District Court management and staff. If you have any questions or wish to discuss the information presented in this report, please feel free to contact me at (402) 444-4327.

Sincerely,

Mike Dwornicki
Internal Audit Director

cc: Mark Rhine
Jude Lui

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